Local Authorities Pension Plan

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED MARCH 31, 1987

Alberta
TREASURY

88-06193/

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PROVINCIAL TREASURER
224 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-8809

June, 1988

The Honourable Dr. David Carter
Speaker of the Assembly

Sir:

Pursuant to section 4 of the Local Authorities Pension Plan Act, being Chapter L-28.1 of the 1985 Statutes of Alberta, I have the honour to lay before the Assembly the annual report on the operation of the Local Authorities Pension Plan for the fiscal year ended March 31, 1987.

Respectfully submitted,

Dick Johnston
Provincial Treasurer

Alberta
TREASURY

442 Terrace Building, 9515 - 107 Street, Edmonton, Alberta, Canada T5K 2C3 403/427-4106

June, 1988

The Honourable Dick Johnston
Provincial Treasurer

Sir:

In accordance with section 4 of the Local Authorities Pension Plan Act, I have the honour to transmit herewith the annual report on the operation of the Local Authorities Pension Plan for the fiscal year ended March 31, 1987 to be laid by you before the Legislative Assembly.

The annual report includes a statement of the most recent estimate of the actuarial liabilities of the Plan as required by section 4(2) of the Act.

Respectfully submitted,

A. D. O'Brien
Deputy Provincial Treasurer
Management and Control

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Introduction

The Local Authorities Pension Plan was established effective April 1, 1962 by the Local Authorities Pension Act to provide a contributory pension scheme for employees of Local Authorities in Alberta. Local Authorities include cities, towns, counties, municipal districts, hospitals, school divisions and districts, and other public bodies in Alberta, approved by the Lieutenant-Governor in Council.

The Local Authorities Pension Act was repealed on November 1, 1985 and replaced by the Local Authorities Pension Plan Act. Under the new legislation, policy and administration became the responsibility of the Lieutenant-Governor in Council and the Minister respectively, while the Local Authorities Pension Plan Board was assigned an advisory and appellate role.

Plan Overview

The Local Authorities Pension Plan is a contributory defined benefit plan. For the calendar year 1986 employee contributions were at a rate of 3.85 per cent of basic salary, up to the year's maximum pensionable earnings under the Canada Pension Plan, and 5.5 per cent on any excess. All rates are to be increased in each of the years 1987, 1988 and 1989. The employer contributes at a rate one per cent higher than the rate of the employee contributions. The net amount of pension contributions less payments is deposited to or withdrawn from the Pension Fund pursuant to the Pension Fund Act. The income of the Pension Fund accrues to and forms part of the Fund. The Government of Alberta guarantees the payment of all benefits under the Local Authorities Pension Plan.

Members may retire at any time after age 55 if 5 years of pensionable service has been accumulated. Normal pensionable age is 65, but members can also retire on an unreduced pension at any time after age 55 providing that pensionable service plus age totals not less than 85. There is no mandatory retirement age. Pension benefits are based on the number of years of pensionable service multiplied by 1.4 per cent of salary up to the maximum pensionable earnings under the Canada Pension Plan and two per cent of the excess salary. Salary is calculated as the highest average pensionable earnings for five consecutive years. If the member has a spouse, unless a waiver is signed by the spouse, the pension must be a joint pension guaranteed for the life of the member and spouse. The normal form of a pension is for the life of the member with a 5 year guarantee period. Single members may elect a life pension, choosing a normal pension, or a 10, 15 or 20 year guarantee period. They may also elect a joint life pension based on their life and that of a nominee.

The Plan also makes provision for those members who die prior to retirement and have accumulated at least five years of pensionable service. In such cases the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to the survivor benefit of a non-reduced joint life pension. A beneficiary other than a spouse must accept a lump sum benefit.

Review of Operations

The Local Authorities Pension Plan is administered by Alberta Treasury, Payroll and Pensions.

During the year under review the concept of annual reporting was extended to encompass all employers under the Plan. Annual reporting by employers offers significant advantages over monthly reporting as it reduces the amount and frequency of data required to be submitted to the Pension Administration.

In keeping with the concept of giving employers greater responsibility over their pension plan, employer training in the form of workshops and seminars was expanded from previous years. A new employer manual, with improved content and format, was developed to assist employers in carrying out their responsibilities.

Annual statements were produced for all participants to provide information and verify the current status of information on file. The statements were forwarded to employers for distribution.

During the year, Payroll and Pensions continued with further automation of pension plan activities. Retirement processing, including the provision of member estimates, was partly computerized in February 1987. Such computerization of the retirement function has improved the accuracy of pension calculations and decreased the time required in supplying information to retirees.

Actuarial Liabilities

An independent actuarial valuation carried out at March 31, 1985 estimated the accrued liability of the Local Authorities Pension Plan to be $2,684,007,000. The normal actuarial cost of the plan as a percentage of payroll was estimated at 13.2 per cent.

Participation

At March 31, 1987 there were a total of 476 employers participating in the Local Authorities Pension Plan, 70,648 active contributors and 5,459 terminated employees who had either not made a choice regarding their plan status or were awaiting a deferred pension.

A summary of the types of participating employers and the number of participants is provided in the section on Contributions.

Book Entry Transfers

The following transfers to and from other pension plans administered by the Province of Alberta were made by book entry during the year. These transfers are not reflected in the Statement of Receipts and Payments.

	TRANSFERS TO LOCAL AUTHORITIES PENSION PLAN	TRANSFERS FROM LOCAL AUTHORITIES PENSION PLAN
	$	$
Public Service Pension Plan	2,211,843	1,109,615
Public Service Management Pension Plan	432,209	206,961
Special Forces Pension Plan		26,765
Universities Academic Pension Plan	27,549	72,098
	2,671,601	1,415,439

Reciprocal Agreements

At March 31, 1987, the Local Authorities Pension Plan had reciprocal transfer agreements in effect with the following pension authorities. The agreements enabled participants to transfer pension credits to and from these authorities.

Within Alberta

- Alberta Government Telephones Pension Plan
- Alberta Teachers' Retirement Fund
- Public Service Management Pension Plan
- Public Service Pension Plan
- Special Forces Pension Plan
- Universities Academic Pension Plan

Outside Alberta

- Government of Canada
- Canada Mortgage and Housing Corporation
- Dalhousie College and University
- Health Sciences Centre of Manitoba
- Manitoba Civil Service Superannuation Board
- Manitoba Municipal Employees Benefits Board
- Minister of Finance, Government of New Brunswick
- Minister of Finance, Government of Prince Edward Island
- Ontario Colleges of Applied Arts and Technology
- Ontario Municipal Employees Retirement Board
- Ontario Teachers' Superannuation Commission
- Regina Civic Employees' Superannuation and Benefits Plan
- Saint Paul University
- Saskatchewan Crown Investments Corporation
- Saskatchewan Health Care Association
- Saskatchewan Municipal Employees' Superannuation Commission
- Saskatchewan Power Corporation Superannuation Board
- Saskatchewan Teachers' Superannuation Commission
- University of Manitoba
- University of Regina

Reciprocal Transfers

During the year ended March 31, 1987 the following number and value of reciprocal transfers were undertaken:

	TRANSFERS TO LOCAL AUTHORITIES PENSION PLAN		TRANSFERS FROM LOCAL AUTHORITIES PENSION PLAN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
		$		$
Alberta Teachers' Retirement Fund	9	355,523	15	118,997
Alberta Government Telephones	5	86,870	4	22,207
Government of Canada	10	134,913	8	60,663
Regina Civic Employees' Superannuation and Benefits Plan	4	20,940		
Saskatchewan Health Care Association	11	127,763	6	77,121
Other	7	283,071	13	368,515
	46	1,009,030	46	647,503

Note: The amounts of reciprocal transfers to the Local Authorities Pension Plan are included under Contributions.

Contributions

The schedule below summarizes the employee and employer contributions for the year ended March 31, 1987.

	Participants At March 31, 1987	Contributions Received		
		Employee $	Employer $	Total $
Cities	22,020	32,008,393	37,899,968	69,908,361
Towns	1,420	1,454,657	1,701,551	3,156,208
Villages	60	59,853	64,562	124,415
Counties	2,481	2,745,484	3,052,811	5,798,295
Municipal Districts	528	623,325	714,522	1,337,847
School Districts	7,926	7,615,696	8,695,869	16,311,565
Commissions	184	306,571	342,131	648,702
Hospitals	27,164	29,797,140	34,203,247	64,000,387
Other	8,865	11,811,924	13,617,065	25,428,989
Accounts Held on Deposit	5,459	2,271	394	2,665
	76,107	86,425,314	100,292,120	186,717,434

Refunds

The following amounts of member contributions and interest were refunded during the year to members terminating employment:

	Number	Amount
		$
Cash	4,295	9,309,627
Registered Retirement Savings Plans or Registered Pension Plans outside of a reciprocal agreement	1,454	6,016,135
	5,749	15,325,762

In addition, 2,324 refunds of excess contributions totalling $358,180 were made to members and employers during the year.

Death in Service Benefits

In the current year 135 members died while in service. Seventy one of the surviving spouses were granted spousal pensions. Lump sums were paid to a total of 75 individual beneficiaries in respect of the other 64 deaths in service.

Information and Counselling Service

Payroll and Pensions presented 64 information seminars to employees during the year. Twenty-eight workshops were held for employers to assist them in their pension administration responsibilities.

Several information brochures on special interest topics were prepared for participants and a regular information bulletin, Pension News, was prepared for employers.

Pension Benefits

During the year ended March 31, 1987 pension benefits paid totalled $91,869,217, an increase of $11,595,534 (14.4 per cent) over the previous year. A total of 974 pensions were granted in the categories shown in the table below. Previous year figures are included for comparison.

	1987		1986	
Normal Retirement	265		423	
Early Retirement	577	(429)	752	(541)
Partial or Total Disability	61	(35)	65	(34)
Death-in-Service (Spousal)	71	(40)	57	(35)
	974	(504)	1,297	(610)

( ) Brackets denote pensions co-ordinated with Canada Pension Plan (CPP) and/or Federal Old Age Security (OAS) payments.

Of the above retirements, 143 were in respect of deferred retirements from previous years (31 normal, 94 early and 18 disability).

Pension options selected by members are as follows:

Member Pensions	At March 31, 1986	New Retirements	Beneficiaries	Deaths	End of Guarantee Term	At March 31, 1987
Normal (guaranteed 5 years)	1856	96	8	(40)	(15)	1905
Single Life	1359	84		(46)		1397
Guaranteed 10 years	2211	93	28	(66)	(21)	2245
Guaranteed 15 years	1878	106	28	(34)	(17)	1961
Guaranteed 20 years	1287	85	17	(19)		1370
Joint Life non-reduced	527	321	9	(14)		843
Joint Life Reduced one third	244	109	5	(6)		352
Joint Life Reduced one half	182	9	10	(7)		194
Spousal Pensions						
Single Life	219	14		(6)		227
Guaranteed 5 years	45	3				48
Guaranteed 10 years	87	8				95
Guaranteed 15 years	81	7	1	(2)	(1)	86
Guaranteed 20 years	325	39	1	(2)		363
	10301	974	107	(242)	(54)	11086
Pensions co-ordinated with CPP and/or OAS	4560	504	47	(87)	(21)	5003

Note: The allocation of pension options at March 31, 1986 has been adjusted to correct previously reported figures.

The schedule below categorizes the pensions in effect at March 31, 1987 by dollar value of monthly pension.

Dollar Value Per Month	Member Pensions	Spousal Pensions	Total
$ 0 – 499	5,072	490	5,562
500 – 999	2,555	225	2,780
1,000 – 1,499	1,431	74	1,505
1,500 – 1,999	712	26	738
2,000 – 2,499	318	4	322
2,500 – 2,999	117	0	117
3,000 – 3,499	42	0	42
3,500 – 3,999	14	0	14
4,000 and over	6	0	6
	10,267	819	11,086

Effective January 1, 1987 a cost of living adjustment of 2.7 per cent was granted to those pensioners in receipt of a pension for one year or more with a proportionately smaller increase granted to those retiring during the year.

STATEMENT OF RECEIPTS AND PAYMENTS
YEAR ENDED MARCH 31, 1987

	1987	1986
	$	$
RECEIPTS:		
Employee contributions	86,425,314	77,472,594
Employer contributions	100,292,120	91,377,754
Interest on overdue receivables	42,790	23,861
	186,760,224	168,874,209
PAYMENTS:		
BENEFITS		
Pensions to retired members	85,870,827	74,942,435
Pensions to surviving spouses	5,178,331	4,539,983
Lump sums to beneficiaries of deceased pensioners	343,163	439,749
Lump sums to beneficiaries of deceased employees	476,896	351,516
	91,869,217	80,273,683
WITHDRAWALS		
Refunds of contributions and interest to terminated members	15,325,762	14,593,428
Reciprocal agreement transfers	647,503	550,325
Refunds of excess contributions	358,180	304,255
	16,331,445	15,448,008
Total payments	108,200,662	95,721,691
Excess of receipts over payments	78,559,562	73,152,518

Note: The receipts and payments shown above do not reflect transfers of contributions and interest to and from other pension plans administered by the Alberta Government. Such transfers are detailed under Book Entry Transfers.

Comparative Statistics

The table below shows comparative statistics of receipts and payments for the most recent five fiscal years:

(000's)

Fiscal Year	RECEIPTS			PAYMENTS			Excess of Receipts over Payments
	Member	Employer	Total	Benefits	With-drawals	Total	
	$	$	$	$	$	$	$
1986-87	86,425	100,335	186,760	91,869	16,332	108,201	78,559
1985-86	77,473	91,401	168,874	80,274	15,448	95,722	73,152
1984-85	73,394	87,590	160,984	69,041	12,698	81,739	79,245
1983-84	71,023	84,943	155,966	58,549	8,685	67,234	88,732
1982-83	61,988	82,006	143,994	50,444	8,032	58,476	85,518